

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 13th October 1980

Sterling was unusually active today, despite the absence of New York traders for the Columbus Day holiday, and met good demand from a wide variety of sources. The dollar, itself on a firmer trend, gained further encouragement from its vehicular role. Sterling's ERI rose to 76.4.

The pound retreated to 2.4007 at the close on Friday in New York, although the dollar was otherwise little changed. This morning sterling opened at 2.4043 and moved ahead on some early Swiss buying, despite a firmer tendency for the dollar in the wake of higher Euro-dollar rates. Those trends continued through the morning as several orders on Central Bank account were seen to sell European currencies for sterling. Commercial and professional demand for pounds followed and the rate climbed to 2.4113 before midday. There was little overt excuse for the movement but the tightness of money for make-up day was clearly supportive. This afternoon, with New York closed, the dollar came into technical demand in a thin market. Profits were taken in sterling which eased to 2.4066 at one stage. However, a further late flurry of interest from Swiss and London banks carried sterling up to 2.4125 before it closed at 2.4117. Later business was seen up to 2.4155. Forward margins widened sharply this morning as pounds were bid for make-up day. Three-months' cover cost 2 11/16% p.a. at the close and, although Euro-dollars lost part of their initial gain, this still eliminated sterling's intrinsic premium.

The pound gained around 1/2% against each of the French franc (10.10%), Swiss franc (3.95) and deutschemark (4.35%). These were each easier against the dollar at 4.1880, 1.6381 and 1.8072 respectively. On Friday, the Federal Reserve sold \$10mn. for marks. Today the Bundesbank sold \$30mn. for American official account and \$25mn. on their own behalf. The French franc drew strength from a large order, thought to have arisen from a purchase of arms. It closed at the head of the EMS, 3 1/2% above the lira (858.80) and fractionally ahead of the guilder. The French took in marks worth \$28mn. Elsewhere, the Swedes, too, bought \$18mn. of marks. The yen firmed to 208.15 in Tokyo and 207.25 in London.

Gold traded quietly but firmly this morning and was fixed at \$683.50. Profits were taken, later, however, and this afternoon the price was fixed at \$679.75.

Operations:	Market	+	\$14mn.
	BIS	+	36
	Iran	+	35
	Ghana	-	6
	Greece	-	6
	Sundries	+	4
		+	\$77mn.

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